

GEORGIA (\$242.5 Million)

Account (\$ in thousands)	FY 2008 Estimate	FY 2008 Supp	*FY 2009 Request	FY 2009 Supp Request
Assistance for Europe, Eurasia and Central Asia (AEECA)	0	0	0	242,500
Economic Support Fund (ESF)	0	315,000	0	0
FREEDOM Support Act (FSA)	50,091	0	52,000	0
Foreign Military Financing (FMF)	9,000	0	11,000	0
Global Health and Child Survival (GHCS)	750	0	850	0
International Military Education and Training (IMET)	761	0	1,000	0
Nonproliferation, Antiterrorism, Demining and Related Programs (NADR)	3,210	0	2,200	0
TOTAL	63,812	315,000	67,050	242,500

*FY 2009 country allocations have not been determined and will be transmitted to Congress at a later date as required by section 653 (a) of the Foreign Assistance Act of 1961.

Summary

Major economic, social and political consequences from the August 2008 conflict with Russia continue to resonate in Georgia. Additional U.S. assistance to help stabilize Georgia's economy and increase public confidence in democratic governance remains critical. This supplemental request will allow the U.S. Government to meet its formal \$1 billion commitment to Georgia, and supports significant needs highlighted in the World Bank's Joint Needs Assessment (JNA): 1) resettlement of internally displaced persons (IDPs) and other social needs that place an unsustainable burden on Georgia's fiscal resources; and, 2) immediate core investments – infrastructure for health, education, housing, transport and energy – to address new conflict-related problems. This request also builds on efforts to consolidate democratic and economic reforms, restore border security and law enforcement capabilities, and strengthen democratic institutions and the rule of law.

\$242.5 million Assistance for Europe, Eurasia and Central Asia (AEECA)

Peace and Security (\$20.5 million)

The August 2008 conflict with Russia revealed deficiencies in the infrastructure, resources and skills of the Georgian law enforcement sector, including gaps in Georgia's ability to maintain border security and the Ministry of Internal Affairs' (MOIA) ability to operate in a crisis situation. The Georgian Coast Guard suffered substantial losses of infrastructure and equipment that hampers Georgia's ability to address threats, enforce maritime-related laws, and prevent trafficking in persons and illicit goods. Following the departure of the Russian army from Shida Kartli, it became essential to ensure an effective law enforcement presence, robust patrolling, public-police partnerships, and timely criminal investigations to enable successful reconstruction efforts, as well as safe return of IDPs to their homes. U.S. assistance through the Department of State's Bureaus of International Narcotics and Law Enforcement (INL), Political-Military Affairs (PM), and International Security and Nonproliferation (ISN) as well as the Department of Homeland Security's Georgia Border Security and Law Enforcement (GBSLE) program has

begun to restore the Coast Guard's capabilities; enhance the effectiveness of the border police on the Russian-Georgian border and at border checkpoints; and improve the professionalism and capabilities of law enforcement personnel. This supplemental assistance will build on the USG's efforts in this sector, support government securing of green border areas, and improve the capabilities, professionalism and interoperability of law enforcement organizations. "Legacy minefields" will be cleared to reduce threats to civilian populations and quickly return the land to productive use, providing much needed economic benefit to those involved in agricultural activities.

Governing Justly and Democratically (\$20 million)

While the Rose Revolution ended Georgia's worsening democratic performance, public dissatisfaction and protests gained momentum in November 2007. The conflict with Russia further exposed weaknesses in the country's democratic institutions and illuminated the need to increase transparency, accountability and responsiveness to the public; enhance the public's access to information through impartial media sources; increase independence and efficiency within the judiciary; and develop the capacity of the public sector, civil society and media. U.S. assistance will work to address these weaknesses while deepening support for needed reforms. Supplemental funding will expand assistance in four key areas: civil society, media development, governance, and rule of law. Assistance will improve curriculum development to enable a next generation of leaders, journalists, public policy experts and advocates to grow, and expand core assistance efforts related to transparency in government, judiciary and court administration into the regions.

Investing in People (\$68.5 million)

While relatively little direct damage was sustained to Georgia's health and education infrastructure during the August conflict, significant stress was placed on both sectors due to large numbers of individuals displaced by the conflict and their loss of homes and livelihoods. U.S. assistance, through the United States Agency for International Development (USAID), State's Bureau for Population, Refugees and Migration (PRM), and the U.S. Embassy's Public Affairs Section, has begun to support improvements for IDP housing and living conditions, to increase the quality of and access to healthcare services and infrastructure, to enhance the government's capacity to provide adequate social services to the citizens of Georgia, and to promote better healthcare and education opportunities for disabled and orphaned children. Supplemental funding will improve the living conditions of approximately 5,000 additional "old caseload" IDPs (those IDPs who were displaced from Abkhazia and South Ossetia during the conflicts of the early 1990s), and continue technical assistance to the Ministry of Health to increase the government effectiveness and transparency in providing quality health and social services. U.S. assistance would mobilize further access to credit to enable hospital investors to renovate, upgrade and construct hospitals.

Economic Growth (\$133.5 million)

The August conflict and the global financial crisis have severely constrained Georgia's economic growth, which in turn threatens the country's political and economic stability. Georgia's current

account deficit rose to an estimated 23% of GDP in 2008. After six years of positive fiscal balance, Georgia's fiscal balance deteriorated to a deficit of 2% of GDP in 2008 and is estimated to decline to 3% of GDP in 2009. Additionally, the Joint Needs Assessment indicates that infrastructure systems nationwide "are in need of major overhaul" and recommends that the government develop, restore, and improve primary and secondary transportation and energy infrastructure. The USG has focused on key interventions to stabilize the economy, enable the Government of Georgia to meet its budgetary commitments, and begin to expand energy diversification and municipal infrastructure. The requested supplemental funding will address, on a larger scale, crucial transportation and electricity infrastructure needs, further increase access to financial services, promote rural development, and continue to support the Government of Georgia's economic reform agenda. U.S. assistance will help improve electrical power system stability by lessening Georgia's dependence on the Enguri hydropower station in disputed Abkhazia; complement existing Millennium Challenge Corporation (MCC) funding by extending the new road network from Akhaltsike (where MCC-funded construction will end) to Batumi, thereby completing an alternative east-west transport corridor; further increase Georgia's agricultural competitiveness; assist the government to make rapid improvements to revenue and budget administration systems; further streamline regulations and strengthen regulatory capacity; and other programs that will support Georgia's economic recovery. U.S. assistance would also provide mechanisms to enhance trade financing for businesses and expand financing to business start-ups and microenterprises in rural areas, including those owned by IDPs and other vulnerable populations.